Title: Additional negotiated provisions of the Memorandum of Understanding as part of the extension between the County of Sonoma and the International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Local 39)

Recommended Actions:
Adopt a Concurrent Resolution approving additional negotiated provisions to the one-year extension to the Memorandum of Understanding (MOU) between the County of Sonoma and the International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Local 39) for the period of July 2, 2018 through July 1, 2019.

Executive Summary:
On June 5, 2018, the Board approved a Tentative Agreement (TA) with Local 39 approving a one-year extension to the Memorandum of Understanding between the County and of the International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Local 39). That TA included a Favored Nation Clause which provided if “during the term of the MOU another bargaining unit negotiates an increase or improvement in compensation or other economic benefits that is greater than that agreed to by Local 39, the County agrees to open the MOU and meet and confer with Local 39 on the subject of compensation.”

As other bargaining units did negotiate additional economic benefits since the Board adopted Local 39’s MOU extension, the County met and conferred and reached a tentative agreement (Attachment A) regarding the additional economic benefits to the Memorandum of Understanding (MOU). All changes from the June 5, 2018 MOU become effective October 9, 2018, unless otherwise specified in the tentative agreement. As the economic benefits did not include additional compensation, Local 39 has advised that a ratification vote is not required of their membership for these additional provisions.
Discussion:

Due to additional economic benefits provided to other bargaining units since the Board adopted Local 39’s MOU extension on June 5, 2018, the County and Local 39 met and conferred as required under the MOU’s Favored Nation Clause and reached agreement on additional provisions to the one-year extension of the MOU, with the term remaining July 2, 2018 through July 1, 2019. Following is a brief summary of the updated provisions negotiated in this agreement:

Comparator Agencies
The County and Local 39 agreed to a process for selecting comparable agencies for purposes of compensation studies.

Compensatory Time Off
Employees currently have the option to choose to accrue up to 80 hours of compensatory time off instead of being paid overtime. The proposed agreement increases the maximum accrual by 40 hours to 120 hours.

Holiday
Employees will receive an eight (8) hour Cesar Chavez holiday on March 31st of each year, to honor and celebrate his important work on civil rights for laborers, particularly in the Latino community.

Holiday hours will be prorated based on allocated FTE for part time employees.

Paid Parental Leave:
Any permanent or probationary employee who has been continuously employed by the County for at least 12 months prior to the start of the leave shall be eligible for 320 hours of Paid Parental Leave (PPL) within 12 months of the birth for a child or placement of a child with the employee for adoption or foster care. Part-time employees shall be eligible for this benefit based on prorated hours.

Vacation Savings Plan:
On March 20, 2018, the Board approved increases to Local 39 vacation accruals as a result of side letter agreement with Local 39 to eliminate the Vacation Purchase Plan (VPP), which had been provided in the MOU between the County and Local 39. That action was necessary for compliance with Internal Revenue Service Code (IRS) regulations.

Due to a side letter agreement with two other bargaining units related to the elimination of the VPP, on June 11, 2018, the Board approved the creation of a post-tax Vacation Savings Plan (VSP). In order to provide an equal benefit to Local 39, the County met and conferred with Local 39 and offered the VSP to Local 39.

The VSP gives eligible employees the ability to elect to set aside up to twenty hours of base pay each year during years three through five. Employees enroll during an annual open enrollment period. Any unused hours are paid back to the employee in May of the following year. If approved by the Board, the County will provide an open enrollment as soon as administratively feasible for the 2018 plan year. In addition, if approved, during the 2019 plan year, eligible employees will be offered a one-time opportunity to set aside up to 40 additional “catch-up” hours in recognition of the suspension of the
previous plan. The combination of the accelerated vacation accruals and new VSP does not exceed the total vacation hours available under the previous plan.

**Government Code Compliance Requirements:**

Various provisions of the California Government Code require certain disclosures before the Board can adopt changes in salaries or benefits, with additional disclosure required for changes in pension and other post-employment benefits. Any changes in salaries and benefits must be adopted at a public meeting of the Board (Cal Gov’t Code §23026). Notice of the consideration of such increases must be provided prior to the meeting and shall include “an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees' retirement system.” (Cal Gov’t Code §31515.5).

In addition, when considering changes in retirement benefits or other postemployment benefits, the Board “shall secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits.” (Cal Gov’t Code §7507). When there are changes in retirement benefits or other postemployment benefits, the statement of actuarial impacts shall be provided by an enrolled actuary and shall be made public at a meeting at least two weeks before the adoption of the increase in benefits. (Cal Gov’t Code §31516). Note, however, that today’s recommendations do not include changes to retirement benefits or other post-employment benefits.

This staff report recommends the Board adopt these additional changes to Local 39’s MOU extension, including changes to salary and benefits. Based on the October 1, 2018 letter received from Segal Company (Segal), the one-time, pensionable, lump-sum payment approved by the Board on June 5, 2018 and the Paid Parental Leave benefit are within the future years’ 3.5% annual wage increase assumptions applied in the December 31, 2016 actuarial valuation; and therefore, Segal’s analysis, as included in Attachment B, states that the proposed changes will not materially impact the ongoing cost of the plan and funding status of SCERA.

**Prior Board Actions:**

June 5, 2018, Board adopted Local 39 MOU extension, Resolution #18-0242
June 11, 2018, Board adopted VPP Replacement Side Letter, Resolution #18-0244
March 20, 2018, Board adopted Side Letter VPP, Resolution #18-0100

**Strategic Plan Alignment**

Goal 3: Invest in the Future

These additional provisions to the extension of the MOU reflect the joint efforts of the County and Local 39 to provide fiscally responsible salary and benefit enhancements.
## Fiscal Summary

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>FY 18-19 Adopted</th>
<th>FY 19-20 Projected</th>
<th>FY 20-21 Projected</th>
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<td><strong>Budgeted Expenses</strong></td>
<td>$35,024</td>
<td>$46,699</td>
<td>$46,699</td>
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<td><strong>Additional Appropriation Requested</strong></td>
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<tr>
<td><strong>Total Expenditures</strong></td>
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</table>

### Funding Sources

- **General Fund/WA GF**: $13,075, $17,434, $17,434
- **State/Federal**
  - **Fees/Other**: $21,949, $29,265, $26,265
- **Use of Fund Balance**
- **Contingencies**

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<tr>
<th>Total Sources</th>
<th>$35,024</th>
<th>$46,699</th>
<th>$46,699</th>
</tr>
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</table>

### Narrative Explanation of Fiscal Impacts:

The addition of Paid Parental Leave to the MOU extension has a cost of $35,024 in fiscal year 18/19. Of this cost, approximately $13,075 is General Fund. On-going cost is approximately $46,699. Of the total on-going cost, approximately $17,434 is estimated to be General Fund.

### Staffing Impacts

<table>
<thead>
<tr>
<th>Position Title (Payroll Classification)</th>
<th>Monthly Salary Range (A – I Step)</th>
<th>Additions (Number)</th>
<th>Deletions (Number)</th>
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<tbody>
<tr>
<td></td>
<td></td>
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### Narrative Explanation of Staffing Impacts (If Required):

None

### Attachments:

1. Concurrent Resolution
2. Attachment A – Signed Tentative Agreement
3. Attachment B – Segal Company Letter dated October 1, 2018

### Related Items “On File” with the Clerk of the Board:

None

Whereas, the International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Local 39) is a recognized employee organization representing bargaining unit 85; and

Whereas, the County met and conferred with representative of Local 39 to negotiate additional provisions to the one-year extension to the Memorandum of Understanding (MOU) as required under the Favored Nations Clause of the MOU; and

Whereas, the terms and conditions of the tentative agreements are within the prescribed authority of this Board; and

Whereas, the County has satisfied its obligation under Government Code Section 3505 and the County Employee Relations Policy to meet and confer over the terms and conditions of employment contained in the recommended MOU extension; and

Whereas, the Board has met all legal requirements under Government Code Sections 23026, 31515.5, 7507, and 31516; and

Whereas, the proposed changes to the Local 39 MOU do not include changes in retirement benefits or other postemployment benefits; and

Whereas, written confirmation of the Board’s compliance with Government Code 31515.5 and 23026 from Segal Company is included in Attachment B and incorporated by reference herein.

Now, Therefore, Be It Resolved that this Board hereby approves the Tentative Agreements (Attachment A) setting the additional terms and conditions of the MOU extension between the County and the Local 39, which is attached and incorporated by
reference herein.

Be It Further Resolved that the additional terms and conditions of the MOU shall be in full force and effect from October 9, 2018 through July 1, 2019.

Be It Finally Resolved that the County Administrator, Director of Human Resources, and Auditor-Controller-Treasurer-Tax Collector have the authority to take any necessary administrative actions to implement the provisions of this resolution, including the authority to execute administrative changes to plan documents and MOUs as needed and/or make corrections of a non-financial nature.

Supervisors:

Gorin: Rabbitt: Zane: Hopkins: Gore:

Ayes: Noes: Absent: Abstain:

So Ordered.
Stationary Engineers, Local 39
And
County of Sonoma

Revised Tentative Agreement
September 19, 2018

The following additional negotiated provisions indicated by underlines are in addition to and are a part of the parties’ extension agreement previously approved by the Sonoma County Board of Supervisors. This Tentative Agreement includes revisions to the September 10, 2018 Tentative Agreement that was signed between the parties’.

ARTICLE 7: SALARIES AND STATUS CHANGES

7.1 Salary

7.1.1 Adjustments

c. County Comparison Agencies

All county classifications within bargaining unit 0085 shall utilize the following for comparable agency purposes: Alameda County, Contra Costa County, Marin County, Napa County, Sacramento County, San Mateo County, San Luis Obispo County, Santa Clara County, Santa Cruz County, Solano County, and the City of Santa Rosa shall all be included as comparable agencies.

The benchmark market average will be determined by calculating the total compensation of each benchmark classification within each agency within the composite list of eleven agencies then removing the two agencies showing the highest and lowest total compensation per benchmark classification.

For purposes of understanding market data in applicable classification studies, top-step salary of comparable job classifications within the composite list of eleven agencies

TENTATIVE AGREEMENT

For the County:

[Signature]
9/19/19
Date

For Local 39:

[Signature]
9/19/19
Date
will be determined, then the two agencies showing the highest and lowest top-step salary will be removed from the calculation. At least four match classes must exist in the calculation in order to conclude there is sufficient market data.

ARTICLE 8: HOURS OF WORK AND OVERTIME

8.11 Overtime Compensation
Overtime earned shall be compensated either in cash at one and one-half (1.5) times the employee’s base hourly rate or as compensatory time off (CTO) at the rate of one and one-half (1.5) hours for each hour earned.

In the event that the compensation of hours at overtime under Sections 8.1 through 8.11 results in an employee’s total regular hours in the pay period, exclusive of overtime, being fewer than the employee’s regularly scheduled hours, such overtime hours shall be compensated by separating overtime hours worked into regular time (paid at the base hourly rate) and half-time pay (paid at half the base hourly rate) up to a minimum of the employee’s allocated biweekly schedule and a maximum of eightyone hundred and twenty (80120) hours biweekly.

8.12 Compensatory Time Off (CTO) Accrual
An employee assigned to overtime and eligible for compensatory time off (CTO) shall make an irrevocable choice each time overtime is earned whether to be compensated in cash at the employee’s base hourly rate or in compensatory time off until the employee has accrued credit for a maximum of forty (40) hours of compensatory time. The County has the right to specify how an employee will be compensated for additional overtime when an employee has an accumulation of forty (40) hours of compensatory time up to a maximum of eightyone hundred and twenty (80120) hours of compensatory time. This decision is final and not subject to grievance or appeal. After

TENTATIVE AGREEMENT

For the County: ____________________________
__________________________ Date

For Local 39: ____________________________
__________________________ Date
eightyone hundred and twenty (80120) hours of compensatory time has been accumulated, the department must compensate the employee in cash for any additional overtime worked.

ARTICLE 10: HOLIDAYS

10.1 Holidays – Paid
The County shall provide full-time and part-time County employees the following paid holidays provided that the employee is in paid status on the employee’s regularly scheduled workdays before and after the holiday. All holidays shall be reduced proportionately by any unpaid time in the pay period in which it is earned.

a) New Year’s Day, January 1st*
b) Martin Luther King, Jr.’s Birthday, the third Monday in January
c) Lincoln’s Birthday, February 12th*
d) President’s Day, the third Monday in February
e) Cesar Chavez Day, March 31st*
f) Memorial Day, the last Monday in May
g) Independence Day, July 4th*
h) Labor Day, the first Monday in September
i) Veteran’s Day, November 11th*
jk) Thanksgiving Day, as designated by the President
jl) The day following Thanksgiving Day
km) Christmas Day, December 25th*
l) Each day appointed by the Governor of the State of California and formally recognized by the Board of Supervisors of Sonoma County as a day of mourning, thanksgiving, or special observance.

*Date Specific Holidays

ARTICLE 17: LEAVES OF ABSENCE

TENTATIVE AGREEMENT

For the County: 

For Local 39: 

Date 

Date
17.6 Vacation Savings Plan and Payment for Unused Vacation

Under Vacation Savings Plan (VSP), each eligible (permanent or probationary) full-time employee may elect to set aside up to twenty (20) hours of base rate pay each plan year during years 3 through 5 (4,174 to 10,434 service hours) of permanent, probationary, or unclassified employment. Part-time employees will be eligible to set aside hours on a pro-rata basis, based on their allocated FTE (full time equivalent) position.

Employees enroll during an annual open enrollment period in October/November for the subsequent plan year. The plan year runs from January 1 – December 31. Eligibility to enroll, for full-time and part-time employees, will begin when, as of the start of open enrollment, the employee reaches 4,174 service hours. Eligibility to enroll ends upon completion of 10,434 in-service hours as of the start of open enrollment.

Employees new to this MOU who have between 4,174 and 10,434 in-service hours may enroll within their first 60 days for the current plan year. Information on the plan will be provided by the payroll clerk. Deductions for current plan year enrollments must be completed by the end of the final pay period in December of the current plan year. Failure to submit an Opt Out form does not extend employee entitlement to the special enrollment.

Regular annual enrollments for employees who have reached 4,174 hours by the beginning of annual enrollment but have not exceeded 10,434 hours will complete their election through the County’s self-service program during the open enrollment period. Employees indicate the number of hours (up to 20) to purchase, and the number of pay periods over which the deductions will occur beginning on the first pay period of the new plan year. Deductions for regular and special enrollments will be in equal amounts over the number of pay periods selected at the base hourly rate of pay at the time of the first deduction. Deductions must be completed by the end of the final pay period in December. Employees may submit one enrollment per plan year. Elections must be in whole hour increments.

TENTATIVE AGREEMENT

For the County:

[Signature]

9/24/18

Date

For Local 39:

[Signature]

9/19/19

Date
At the end of the plan year, up to 20 hours may roll forward to the subsequent plan year until the last pay period in April. Any unused hours from the prior year on account at the end of the last pay period in April will be paid back to the employee in May.

Time may be used in one-tenth hour increments. The dollar value and hours available in the VSP bank will appear on the employee's paystub, the County's self-service program, and Timesaver.

Deductions are made on an after-tax basis. If there are insufficient funds to cover the deduction, the deduction will not be taken and the amount will automatically recalculate the deduction amount to the remaining elected pay periods in the plan year.

Employees may cancel participation in the program by notifying the Auditor Payroll Division in writing by completing a Vacation Savings Plan Enrollment/Cancellation/Opt-Out Form. The employee designates whether the amount accrued to date will be paid out to the employee or will carry forward under the plan provisions. Balances being paid back to the employee will be paid off as soon as administratively feasible.

In the event the employee separates from County employment or has a change in eligibility status for the plan, unused VSP will be paid to the employee as soon as administratively feasible. Reaching 10,434 hours during the plan year is not considered a “change in status” under this provision.

Use of VSP hours are subject to the following guidelines:

a) VSP hours shall be used before other accrued leave except for sick leave or mandated time off under an Unpaid Furlough, Mandatory Time Off, or similar program.

TENTATIVE AGREEMENT

For the County:

[Signature]

Date: 9/19/18

For Local 39:

[Signature]

Date: 9/19/19
b) Use of VSP hours is subject to the same provisions in Section 15.6 17.5, Vacation Schedules, and require the same pre-approval process as accrued vacation hours.

c) When paid, VSP hours are not taxed and are paid at the same hourly rate of pay as they were deducted.

d) If the value in the VSP bank is not sufficient to cover the employee's payroll deductions, the employee must arrange for payment with Auditor Payroll.

e) VSP hours will count toward seniority and merit, and will be considered "paid status" for the purposes of health benefits, vacation and sick leave accrual, and holiday pay only.

f) VSP hours will not be credited to retirement service hours, or be included in retirement final annual salary calculation.

g) VSP hours will not be considered paid status hours for shift pay, premium pay, or cash allowance.

h) VSP hours must be depleted prior to receiving Catastrophic Leave or Disaster Leave; Short Term Disability plans may also require depletion of leave, if applicable.

i) VSP hours may be used in conjunction with Workers' Compensation benefits in the same manner as accrued leave.

TENTATIVE AGREEMENT

For the County:  

For Local 39:

Date: 9/18/18  

Date: 9/19/19
at least 4,174 in-service hours as of the beginning of the enrollment period in
2018, and had not yet reached 10,434 hours as of October 10, 2017.

b. Open Enrollment for 2019 Plan Year: In addition to the annual 20 hours
available under the Vacation Savings Plan, employees have the option to set
aside up to forty (40) additional "catch-up" hours of base rate pay for the 2019
enrollment only. All hours are subject to the same provisions of the Vacation
Savings Plan. Employees are eligible for the 2019 enrollment if they have at
least 4,174 in-service hours as of the beginning of the enrollment period in
2018, and had not yet reached 10,434 hours as of October 10, 2017.
Eligibility for all subsequent enrollments will be as provided under Article 17.6
Vacation Savings Plan.

17.6.2 Payment of Unused Vacation

Each employee who is separated from the County service shall be entitled
to payment for all unused vacation leave which the employee may have
accumulated as of the employee’s last day of work and shall be computed
on the basis of such employee’s base hourly rate at the time of
termination.

17.26 Paid Parental Leave

17.26.1 Eligibility

Effective 10/1/18, for eligible events that occur on or after Board adoption
of the parties reopener agreement, any permanent or probationary
employee who has been continuously employed by the County for at least
12 months prior to the start of the leave shall be eligible for Paid Parental
Leave (PPL) to use within 12 months of the following eligible events:
• Birth of a child of the employee, the employee’s spouse, or the
  employee’s domestic partner

TENTATIVE AGREEMENT

For the County:

For Local 39:

Date

Date
• Placement of a child with the employee's family for adoption or foster care

For the purposes of PPL, the definition of "parent" and "child" are as defined by the California Family Rights Act.

17.26.2 Benefit and Use
Eligible employees shall be granted 320 PPL hours to use within 12 months of the qualifying event for the purposes of bonding. Part-time employees shall be eligible for a pro-rated number of PPL hours, based on allocated FTE.

PPL is based on a 12 month rolling calendar. No more than 320 PPL hours may be used in any 12 month period.

PPL is based on the employee's base hourly wage plus cash allowance. It is considered "paid status" for the purpose of merit, seniority, premiums, vacation and sick leave accrual, and County benefit eligibility and contributions.

PPL is pensionable and counts towards retirement service credit.

PPL may be used in a block of continuous time or as intermittent leaves as arranged in advance. Unless approved by the Director of Human Resources, PPL cannot be used retroactively.

Use of PPL shall not be cause for an employee to lose his/her current assignment on a permanent basis; however, assignments may be altered to accommodate the employee's or department's operational needs when working a reduced work schedule.

An employee in a disability period following birth of a child must use sick leave down to 40 hours before using PPL.

TENTATIVE AGREEMENT

For the County: ____________________________  For Local 39: ____________________________

Date: 4/24/18  Date: 9/19/19
17.26.3 Coordination of Benefits & Leaves
PPL can be fully integrated with any short-term disability or California Paid Family Leave program. STD and PFL will not reduce PPL leave entitlement. For time covered by FMLA/CFRA job protected leave for bonding, PPL must be used prior to other accrued leave or Leave Without Pay. If an employee has exhausted FMLA/CFRA entitlements for reasons other than bonding, PPL must be used prior to Leave Without Pay for arranged leaves for the purpose of bonding. Scheduling of non-CFRA protected PPL is subject to department approval. PPL does not need to be used when an employee is on leave for reasons other than bonding. To the extent CFRA leave is available, it will run concurrently with PPL.

17.26.4 Program Review Process
County and Local 39 Representatives will meet to discuss any unanticipated issues that arise, including administrative and legal issues.

17.26.5 PPL Implementation
For qualifying events occurring after 10/1/2017, PPL may be applied to any remaining CFRA eligible bonding hours still available to the employee after the program effective date.

TENTATIVE AGREEMENT

For the County: ____________________________ For Local 39: ____________________________
Date: 9/19/18 Date: 9/19/19
VIA E-MAIL and USPS

October 1, 2018

Ms. Julie Wyne
Chief Executive Officer
Sonoma County Employees’ Retirement Association
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403-1069

Re: Sonoma County Employees’ Retirement Association (SCERA)
Disclosure under Government Code Section 31515.5 in compliance with
Section 23026 – Local 39 – 2nd Revision

Dear Julie:

As requested, we are providing this letter as an update to our May 25, 2018 analysis due to the additional negotiated benefits, including Paid Parental Leave and the addition of the Cesar Chaves Holiday. This letter analyzes the impact of all proposed changes in elements of pay and their potential impact on cost to provide benefits through SCERA as required under California Government Code Section 31515.5 in compliance with Section 23026.

BACKGROUND

We have been asked to prepare a Disclosure for the above Government Code Sections regarding salary changes proposed for 104 General County members covered under Local 39. The proposed changes in salaries and benefits that we have reviewed were provided by the County and are outlined in Exhibit 1 attached.

Prior to authorizing changes in salaries or benefits, we understand that the above Government Code Sections require certain disclosures be provided, including an explanation of the financial impact that the proposed benefit change or salary increase will have on the funding status of the county employees’ retirement system.

1 The analysis provided in this letter is different from that included in our previous letter dated May 25, 2018. That previous analysis did not include the paid parental leave and the one-time lump sum of $2,591 was expressed as a percent of the average total Local 39 member payroll (i.e., 2%) instead of the average pensionable Local 39 member payroll (i.e., 2.67%, as calculated on page 3 of this letter).
RESULTS

After reviewing the proposed salary increases for employees covered under Local 39 as provided by the County and outlined in Exhibit 1, we have concluded that the assumptions applied in the December 31, 2016 Valuation to develop the employer costs for the 2018/2019 Fiscal Year for the General County membership group, are sufficient to cover the costs of the proposed salary increases under item 1 for this group. Further, the savings from the proposed salary increases are sufficient to cover the increase in the County’s normal cost contributions due to the paid parental leave under item 2.

The proposed salary increases under item 1, as described herein, would decrease the General County total employer and employee normal cost by approximately $17,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 43% of the total normal cost, resulting in a decrease to the employer’s normal cost contribution by roughly $10,000. Additionally, the proposed salary increases would decrease the General County Unfunded Actuarial Accrued Liability (UAAL) by $209,000, which translates to a decrease in the amortization payment by approximately $15,000 in the first year, for a total employer contribution decrease of about $25,000.

The proposed paid parental leave under item 2 would increase the General County total employee and employer normal cost contributions by approximately $8,000 in the first year. When averaged over Plans A and B, a General County employee is expected to pay about 43% of the total normal cost, resulting in an increase to the employer’s normal cost contribution by roughly $5,000. The contribution decrease of about $25,000 calculated above is sufficient to cover the increase in employer normal cost contributions due to the paid parental leave for a net total employer contribution decrease of about $20,000.

ANALYSIS

Exhibit 1 (attached) outlines the proposed changes to the elements of pay. For those changes of pay elements that are deemed to be pensionable, we have included our analysis below.

Pensionable Elements of Pay

The employer costs developed in our Actuarial Valuation and Review as of December 31, 2016 includes a 3.50% annual wage growth assumption that is applied to project all future salary amounts for pension purposes.

2 The 43% of the total normal cost expected to be paid by the General County employees reflects payment of 50% of the Normal Cost by Plan B members, however, for Plan A members it has been calculated prior to reflecting any additional contributions (i.e., above those determined under the County Employees Retirement Law of 1937 for Plan A members) that may have been agreed to be paid by those employees covered under Local 39.
In Exhibit 1 we have listed the two items and the associated increase in the proposed pensionable elements of pay. The total increase in General County salary for item 1 is expected to be approximately $269,464. This is equivalent to $2,591 each over the 104 General Local 39 positions that have been communicated to us by the County. Even though we do not have complete data as to the exact employees who would be eligible for the proposed changes, if we take the average salary increase stated above of $2,591 and divide it by the average General Local 39 member salary of $97,120 (as provided by the County), we estimate an average increase in salary of 2.67% as a result of the proposed changes. This increase is less than our 3.50% wage increase assumption by 0.83%. Please refer to the Results section of this letter for the contribution decrease from these salary changes.

Also in Exhibit 1 we have listed the estimated increase in pensionable pay for item 2. In our December 31, 2016 valuation, the normal cost rates have been calculated assuming all members would work prospectively on a full time basis. In practice, if members subsequently take an unpaid leave then the County would recognize a normal cost contribution savings during that time (as no such contributions would be made). Under the proposed paid parental leave, a portion of the leave that would previously have been unpaid will now be paid by the County. We have estimated this increase in pay to be $38,699, as detailed in Exhibit 1. Since the total normal cost contribution for a General County member (weighted for Plan A and Plan B members) is 19.39%, then the additional total normal cost contributions as a result of this proposed increase would be approximately $8,000. Please refer to the Results section of this letter for the derivation of the employer contribution increase due to the paid parental leave.

Non-Pensionable Elements of Pay

It is our understanding that SCERA and the County have rendered a determination that Items 3 – 6 in Exhibit 1 are non-pensionable elements of pay. Therefore, these items will not have any impact on the level of benefits and will not increase the employer cost of the plan.

The undersigned is a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.
Please let us know if you have any questions on this information.

Sincerely,

[Signature]

Andy Yeung

EK/bqb
Enclosure
## Exhibit 1

### Summary of Elements of Pay – Local 39

<table>
<thead>
<tr>
<th>Item</th>
<th>Pensionable Elements of Pay</th>
<th>Non-Pensionable Elements of Pay</th>
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<td>8 hours of holiday time on Cesar Chavez day</td>
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<tr>
<td>4</td>
<td>8 hours of floating holiday time each calendar year</td>
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<td>5</td>
<td>Increase in County’s contributions for Medical Premiums</td>
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</tr>
<tr>
<td>6</td>
<td>Increase in County’s contributions for Dental Premiums</td>
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</tbody>
</table>

³ The estimated cost for item 1 was estimated by Segal using the actual dollar amount of the lump sum multiplied by the total eligible employee count. Both the actual dollar amount and the eligible employee count were provided by the County.

⁴ The cost for item 2 has been estimated by Segal using the following data items and formula: (i) number of eligible employees taking this leave of 5.2 (5% of the total headcount, as provided by the County) times (ii) the average General Local 39 member salary of $97,120 (as provided by the County) times (iii) the ratio of the number of hours of paid parental leave to the full-time equivalent number of hours (i.e., eight 40-hour weeks over 2088 hours) times (iv) 50% (i.e., the amount of leave that would have otherwise been unpaid).